

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201511028**

Release Date: 3/13/2015

Date: 12/16/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

**UIL: 4945-04.04**

X=  
r dollars =

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(c)).

**Description of your request**

You will provide one or more scholarships for the payment of tuition at an educational organization described in Code section 170(b) (1) (A) (ii) and for books and supplies required for the course of instruction.

The purpose of the scholarship program is to assist students who are in financial need to pursue a degree in a graduate program relevant to peace education or conflict management.

You will award scholarships in the amount of r dollars. The scholarship will be used to pay tuition and books for graduate level classes relevant to peace education and conflict

management. You may expand the program to provide more scholarships and may increase the amount of the scholarship in future years. The scholarship is awarded for one year and is not renewable.

You publicize the scholarship on your website.

Your criteria to be eligible for the scholarship are as follows.

- The individual must be enrolled in the first year of a graduate program at one of the universities who are a member of the X relevant to peace education or conflict management and described in IRS 170(b)(1)(A)(ii);
- The individual must have graduated within the last two years with an undergraduate degree;
- The individual must provide evidence of financial need such as seeking a loan for tuition payment;
- The individual must list the name of the degree or certificate program in which they are enrolled and list the peace education or conflict management course toward which the scholarships funds will be applied.

The eligible individuals will be ranked based on total points awarded as set forth below:

- The student must provide a statement of interest in peace education and goals. The student is awarded between one and five points based on the clarity of focus and development of professional plans.
- The student must provide a letter of reference. The student is awarded between one and five points based on the strength of the letter of reference.
- The student must provide a statement of activities to date to reach peace education goals. The student is awarded between one and five points based on this statement.
- Each member of the selection committee will perform the analysis above and add up the points for each student. The total points for a student from each member of the selection committee will be averaged.
- You award the scholarship to the student with the highest number of points.

The selection committee will be composed of members of your staff and peace education experts. Upon any resignation of a committee member, the President will appoint a successor.

You will pay the scholarship directly to the student, who shall pay his/her tuition with the funds, as well as pay for books or supplies required for the course of instruction. One month after the commencement of the semester or quarter, the student receiving the scholarship will be required to submit a report describing the use of the funds. At the end of the term, the student will be required to submit his/her grade transcripts. If no report is filed by the student, or if the report indicates that the funds are not being used in furtherance of the scholarship purpose, one of your members will investigate the grant. While conducting this investigation, you will take reasonable steps to recover grant funds,

unless it has been determined that the funds were used for their intended exempt purpose. If the student withdraws from school and any refund is due, the amount of the scholarship will be repaid to you.

You will maintain case histories showing recipients of your scholarships including names, addresses, purposes of awards, amount of each grant and manner of selection.

You will not award scholarships to relatives of members of the selection committee, or of your officers, directors, or substantial contributors.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded. You will investigate any diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds and ensure other grant funds held by a grantee are used for their intended purposes and withhold further payments to grantees until you obtain grantees assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations

P.O. Box 2508  
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- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations